RIPE NCC

RIPE NETWORK COORDINATION CENTRE

Financial Report 2016

EXECUTIVE BOARD REPORT

INTRODUCTION TO THE RIPE NCC FINANCIAL REPORT

Remco van Mook

RIPE NCC Executive Board Treasurer

As a result of high growth in 2016 (2,178 additional LIR accounts), the RIPE NCC achieved a major landmark as RIPE NCC membership passed 15,000 LIRs by the end of the year. This resulted in additional income from sign-up and annual fees for these new LIRs.

By 31 December 2016, the total income was 27,523 kEUR. The estimated redistribution amounts to 3,930 kEUR, reducing the total income from 27,523 kEUR to 23,593 kEUR. The income excluding the redistribution was 6% above budget and 2% above the income from 2015. In 2016, the annual fee was reduced by 13% from EUR 1,600 to EUR 1,400.

The mechanism established in 2015 to redistribute the excess contribution to the membership worked well. For 2015, more than five million euro was returned to the membership in 2016. In October 2016, the General Meeting approved the redistribution of the 2016 excess contribution paid via the same means. This is an excellent way to align income generated with the forecast set, contributing to further financial predictability for the membership and stability for the RIPE NCC.

In 2016, the RIPE NCC amended the depreciation term of its fixed assets to five years. This change reflects the longer usage of these assets. The year was dominated by the new RIPE NCC Amsterdam office project, with high investments and additional operational expenses. Overall, the RIPE NCC expenses were within the budget set, showing diligent expenditure and cost control.

The total expenditure in 2016 was 23,528 kEUR: 2% below budget and 7% above 2015 levels. Overall, the surplus for 2016 was 325 kEUR.

The financial health and stability of the RIPE NCC is evident in the 2016 fiscal surplus that is redistributed to the membership. The RIPE NCC Executive Board is confident in the organisation’s capacity to remain financially stable, solvent and functional in the years ahead.

Risks and Uncertainties

The IANA transition process was finalised in 2016, leaving a clear self-governing structure for the Internet. The unique role of the RIPE NCC has been clearly supported and documented in this outcome. The risk of capture by third parties is reduced with this process and outcome.

Another strategic risk - the reduced influx of new members caused by the adoption of new technologies or protocols - has not yet surfaced. Though new member growth is stronger than ever, the Executive Board, together with the RIPE NCC management, is developing scenarios to mitigate this financial risk for the mid- to long-term. More generally, the Executive Board is actively conducting strategic sessions together with the management to consider and mitigate risks.

Operational risks for the RIPE NCC are related to the increased value that is put to IP addresses, which increases the number of business transactions related to IP ranges (i.e. transfer of IP addresses or company merger/takeover). The RIPE NCC is mitigating these risks by allocating more resources to increase its due diligence. Increasing cyber security threats and information security breaches are a particular concern for RIPE NCC technical services, and over the course of 2016 more resources and attention was directed towards mitigation of these risks.

The main financial risk for the RIPE NCC is the future imbalance between an increased volume and complexity of workload, which increases operational costs, and a falling membership growth rate, which reduces income. The RIPE NCC reserve level remains above one year of the total expenses. A stress test scenario developed in 2015 proved that a reserve level of approximately 75% would cover expenditure.

The RIPE NCC investment strategy was amended in 2016 to align with practical realities and to simplify administration and investments. The overall strategy for the RIPE NCC to minimise risks for its investments and asset mix is unchanged and will continue.

The risk of new or amended RIPE Policies severely impacting the RIPE NCC and its operations is an ongoing risk that is part of our self-governing ecosystem. This has put more emphasis on engagement with the RIPE community and the formal impact analysis provided with each policy change. European Union (EU) regulatory changes, and their implementation in Dutch legislation, affect RIPE NCC operations. Legislation changes in the RIPE NCC service region cause issues for local members and local transactions, and present a low risk for the RIPE NCC’s reputation.

The RIPE NCC aims to reduce risks within its remit and the conditions laid out by the membership, operating within the Activity Plan and Budget guidelines. In 2016, the risk appetite and mitigation strategy of the RIPE NCC was not altered. The RIPE NCC still aims to mitigate risks and has a low risk appetite. This is reflected in the conservative approach to operational practices and implementation of policy, and also in relation to financial investments as documented in the Treasury Statute.

In summary, the RIPE NCC continues to operate in a complex, multifaceted environment with the related risks. The RIPE NCC allocates greater resources to increase our diligence and compliance and to improve the information security set-up throughout the organisation. From a financial and an organisational governance perspective, the RIPE NCC has the prescience to face future challenges successfully and is well positioned to embrace the years to come.

Statement of Income and Expenditure 2016 (in kEUR)

	Actual 2016	Budget 2016	Actual 2015	Variance 2016 vs B2016		Variance 2016 vs 2015	
Annual Fees	21,388	21,384	21,408	4	0%	(20)	0%
Sign-up Fees	5,414	4,000	4,904	1,414	35%	510	10%
RIPE Meetings	234	275	214	(41)	-15%	20	9%
Sponsorship Income	430	340	268	90	26%	162	60%
Other Income	57	50	84	7	14%	(27)	-32%
Subtotal Income	**27,523**	**26,049**	**26,878**	**1,474**	**6%**	**645**	**2%**
Re-distribution of Members Fees	(3,930)	-	(5,335)	(3,930)	N/A	1,405	-26%
Total Income	**23,593**	**26,049**	**21,543**	**(2,456)**	**-9%**	**2,050**	**10%**
Expenditures							
Salary Components - Personnel	9,071	9,135	8,627	(64)	-1%	444	5%
Secondary Benefits - Personnel	2,414	2,164	2,352	250	12%	62	3%
Miscellaneous - Personnel	2,281	2,006	1,955	275	14%	326	17%
Subtotal Personnel	**13,766**	**13,305**	**12,934**	**461**	**3%**	**832**	**6%**
Housing	975	1,206	818	(231)	-19%	157	19%
Office Costs	2,067	2,174	1,668	(107)	-5%	399	24%
Marketing/ER	653	788	701	(135)	-17%	(48)	-7%
Contributions	526	569	497	(43)	-8%	29	6%
IT Infrastructure	1,425	1,422	1,327	3	0%	98	7%
Travel	1,564	1,230	1,277	334	27%	287	22%
Consultancy	1,647	1,421	1,349	226	16%	298	22%
Bank Charges	190	200	203	(10)	-5%	(13)	-6%
Bad Debts	184	200	211	(16)	-8%	(27)	-13%
Depreciation	531	1,500	993	(969)	-65%	(462)	-47%
Total Expenses	**23,528**	**24,015**	**21,978**	**(487)**	**-2%**	**1,550**	**7%**
Surplus/Deficit Before Financial Result	**65**	**2,034**	**(435)**	**(1,969)**		**500**	
Result on Interest Income	399	435	470	(36)	-8%	(71)	-15%
Result Revaluation Government Bonds	(139)	-	(297)	(139)	N/A	158	-53%
Financial Result	**260**	**435**	**173**	**(175)**	**-40%**	**87**	**50%**
Surplus/Deficit before Taxation	**325**	**2,469**	**(262)**	**(2,144)**		**587**	
Corporate Income Tax Payable	**-**		**-**				
NET SURPLUS/DEFICIT	**325**		**(262)**				

Balance Sheet 31 December 2016 (in kEUR)
Before Allocation of Surplus

		2016		2015
ASSETS				
Tangible Fixed Assets				
Computers	2,118		1,821	
Infrastructure	1,280		19	
Office Equipment	337		45	
Total Tangible Fixed Assets		**3,735**		**1,885**
Financial Fixed Assets				
Government Bonds	10,444		10,331	
Total Financial Fixed Assets		**10,444**		**10,331**
Cash on Hand		**17,858**		**19,388**
Miscellaneous Receivables - Current Assets				
Accounts Receivable	687		774	
Value Added Tax (VAT)	398		127	
Miscellaneous Receivables	1,006		1,256	
Total Current Assets		**2,091**		**2,157**
TOTAL ASSETS		**34,128**		**33,761**
CAPITAL AND LIABILITIES				
Capital				
Clearing House	25,064		25,326	
Surplus/Deficit After Taxation	325		(262)	
Total Capital		**25,389**		**25,064**
Current Liabilities				
Creditors	1,284		615	
Wage Taxes & Social Securities	620		506	
Unearned Revenues	774		929	
Redistribution of Members Fees	4,306		5,335	
Miscellaneous Payables	1,755		1,312	
Total Current Liabilities		**8,739**		**8,697**
TOTAL CAPITAL AND LIABILITIES		**34,128**		**33,761**

Cash Flow Statement 2016 (in kEUR)

		2016	2015
Operational Cash Balance	**01 January 2016**	**19,388**	**17,672**
CASH INFLOW			
New Member Fees and Sign-up Fees		5,771	5,534
Members Fees		16,471	21,204
RIPE Meetings		189	187
Interest Received		481	468
Sale - Financial Assets		1,714	3,620
Other		1,125	891
Total Inflow		**25,751**	**31,904**
CASH OUTFLOW			
Salary		6,940	6,804
Wage Tax and Social Security		4,452	4,297
Pension and Health		1,181	1,044
RIPE Meetings and Regional Meetings		863	848
ICANN & NRO		338	310
Purchase - Financial Assets		1,993	6,943
Creditors		11,531	10,021
Total Outflow		**27,298**	**30,267**
Total Cash Inflow/Outflow Balance		**(1,547)**	**1,637**
Unrealised Exchange Rate Income		17	79
Operational Cash Balance	**31 December 2016**	**17,858**	**19,388**
FINANCIAL ASSETS			
Financial Assets Cash Balance	**01 January 2016**	**10,331**	**7,305**
Government Bonds 01 January 2016		10,331	7,305
Net Cash Used for Government Bonds		252	3,323
Revaluations of Government Bonds		(139)	(297)
Government Bonds 31 December 2016		10,444	10,331
Other Financial Assets 01 January 2016			
Net Cash Used for Other Financial Assets			
Revaluations of Other Financial Assets		-	-
Other Financial Assets 31 December 2016		-	-
Financial Assets Cash Balance	**31 December 2016**	**10,444**	**10,331**
TOTAL START CASH BALANCE	**01 JANUARY 2016**	**29,719**	**24,977**
TOTAL END CASH BALANCE	**31 DECEMBER 2016**	**28,302**	**29,719**

ACCOUNTING POLICIES USED TO PREPARE THE FINANCIAL REPORT

Réseaux IP Européens Network Coordination Centre (RIPE NCC) is a not-for-profit membership association under Dutch law, registered with the Netherlands Chamber of Commerce under number 806268220, located at Stationsplein 11, 1012 AB Amsterdam, the Netherlands.

All amounts in this financial report are expressed in kEUR (EUR 1,000) unless otherwise stated. Foreign currencies are converted at the daily exchange rate at the date of transaction or valuation. The Balance Sheet is based on the status at 31 December 2016. The financial statements were prepared on 17 March 2017.

The RIPE NCC administers Internet number resources for its members in Europe, the Middle East and parts of Central Asia. The RIPE NCC maintains several technical elements vital to the Internet infrastructure, including the public RIPE Database and K-root service. As secretariat to the RIPE community, the RIPE NCC carries out a number of support functions such as running RIPE Meetings and facilitating the RIPE Policy Development Process.

The accounting principles applied by the RIPE NCC are in accordance with Dutch law and accounting standards on recognition and measurement. This financial report has been made in accordance with Dutch Accounting Standards (RJ640).

Statement of Income and Expenditure

The financial result (a surplus or deficit) is determined as the difference between net income and all expenses relating to the reporting period. Costs are determined in accordance with the accounting policies applied to the Balance Sheet. The financial result is realised in the year in which the income is recognised. Losses and risks originating before the end of the financial year are recorded only if they are known before the preparation of the financial statements.

Income relates to the proceeds from membership fees, sponsorships and the delivery of services after deducting taxes on sales. If the result of a transaction relating to one of these can be reliably estimated and the income is likely to be received, the income relating to that service is recognised in proportion to the service delivered.

Annually the RIPE NCC members determine whether to adjust fees that members have to pay for the year by adopting a redistribution scheme for the current year regarding excess contribution paid.

Expenses are determined with due observance of the accounting policies mentioned above and are allocated to the financial year to which they relate. Foreseeable and other obligations, as well as potential losses arising before the end of the financial year, are recognised if they are known before the financial statements are prepared, provided that all other conditions for forming provisions are met.

Pension contributions payable to the pension scheme administrator are recognised as an expense in the Statement of Income and Expenditure. Contributions payable or prepaid contributions at year-end are recognised under accruals and prepayments respectively. A provision is formed for liabilities other than the contributions payable to the pension scheme administrator if, at the Balance Sheet date, the RIPE NCC has a legal or constructive obligation towards the pension plan administrator and its own employees, and settlement of these liabilities will likely entail an outflow of resources. This is provided that a reliable estimate can be made of these liabilities. The provision for additional liabilities to the pension scheme administrator and/or the employees is based on a best estimate of the amounts required to settle these at the Balance Sheet date.

Interest income is recognised pro rata in the Statement of Income and Expenditure, taking into account the effective interest rate for the asset concerned, provided the income can be measured and there is a reasonable level of certainty it will be received. Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognised in the Statement of Income and Expenditure with the amortised cost of the liabilities recognised in the Balance Sheet. Period interest charges and similar charges are recognised in the year in which they are due.

Balance Sheet

Assets are valued at historical costs and are depreciated on a straight-line basis, starting from the month after acquisition.

Tangible Fixed Assets are depreciated for the period of economic use. If the depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimate. A tangible fixed asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising from the disposal is booked to the Statement of Income and Expenditure. Tangible Fixed Assets in use by the company are carried at the cost of acquisition, net of accumulated depreciation and, where applicable, accumulated impairment losses. Tangible Fixed Assets carried at cost do not include capitalised interest charges.

Hardware, Infrastructure and Office Equipment are written off after five years. Fixed assets with a total value of under EUR 500 are expensed.

Government Bonds are all listed and are stated as financial assets and individually valued at fair value. Changes in the fair value are directly recognised in the statement of income and expenditure.

Cash on Hand includes petty cash and cash held in bank accounts. It also includes deposits if these are effectively at the RIPE NCC's free disposal. Cash on Hand that is not expected to be at the RIPE NCC's free disposal within 12 months is classified under Financial Fixed Assets.

Accounts Receivable is initially stated at fair value and subsequently at amortised cost. This is shown after the deduction of a provision for bad and doubtful debts where appropriate. The Accounts Receivable and Miscellaneous Receivables have a maturity date within one year.

Current Liabilities are initially stated at fair value and subsequently at amortised cost. These are due within one year.

Cash Flow Statement

The RIPE NCC adheres to the direct method for Cash Flow representation according to Dutch accounting standards. Cash consists of cash at current bank accounts and deposits. Cash Flow in foreign currencies is converted at the daily exchange rate on the date of transaction or valuation. Interest Received and paid is reported under Cash Flow from operating activities.

Taxes

Taxes are calculated on the surplus as disclosed in the Statement of Income and Expenditure based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part. Based on a ruling from the Dutch tax authorities, the RIPE NCC is subject to corporate income tax.

Leasing

Assessing whether an agreement contains a lease depends on the substance of the agreement. An agreement is regarded as a lease if its fulfillment depends on the use of a specific asset, or if the lease contains the right of use for a specific asset. The RIPE NCC has no financial lease agreement or agreements in which it acts as lessor. For operating leases, the lease payments are charged to the Statement of Income and Expenditure on a straight-line basis over the term of the lease.

Judgments and Estimates

The RIPE NCC's management makes various judgments and estimates when applying the accounting policies and rules for preparing financial statements. The principal judgments and estimates, including underlying assumptions, are the provision of bad debts. The provision of bad debts is an assumption based on the experience from past years that approximately 1% of existing members will not pay their membership fee.

In 2016 there was a change in accounting practice that amended the depreciation term for all assets to five years. This change was made to better align with the lifespan of assets.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE 2016

The financial year resulted in a surplus of 325 kEUR. This includes the redistribution of the excess contribution in 2016 that will be returned to the membership in 2017. This decision was voted on by the membership at the RIPE NCC General Meeting in October 2016.

Income

By 31 December 2016, the total income was 27,523 kEUR. The estimated redistribution amounts to 3,930 kEUR, reducing the total income from 27,523 kEUR to 23,593 kEUR. The income excluding the redistribution was 6% above budget and 2% above the income from 2015. In 2016, the annual fee was reduced by 13% from EUR 1,600 to EUR 1,400.

Annual fees (i.e. contributions) account for 78% of the RIPE NCC's total income, excluding the redistribution of the excess contributions. This category is comprised of annual fees for existing and new members, fees for independent Internet number resources and re-opening fees.

The income from sign-up fees in 2016 increased to the highest ever achieved at 5,414 kEUR, continuing the trend from previous years. This corresponds to a 10% growth in comparison to sign-up fee income from 2015.

In 2016, the number of LIR accounts increased to 15,008, a growth of 2,178 accounts and substantially above the growth achieved in 2015 (1,715 accounts). This figure takes into consideration closures and mergers that took place throughout 2016. In 2016, the RIPE NCC received over 3,300 membership applications.

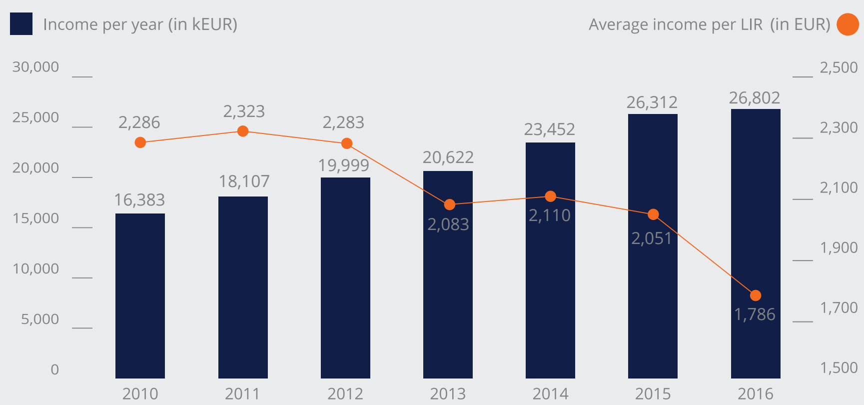
Annual Fees (in kEUR)

	Actual 2016	Budget 2016	Actual 2015	Variance 2016 vs B2016		Variance 2016 vs 2015	
Fees existing members	17,881	18,340	17,652	(459)	-3%	229	1%
Independent resource fees	1,063	1,125	1,024	(62)	-6%	39	4%
Fees new members	2,280	1,719	2,494	561	33%	(214)	-9%
Re-opening fees	164	200	238	(36)	-18%	(74)	-31%
Annual Fees	**21,388**	**21,384**	**21,408**	**4**	**0%**	**(20)**	**0%**

Members Income, comprised of annual fees and sign-up fees, amounted to 26,802 kEUR. In 2016, the average income per LIR was EUR 1,786, a 13% decrease in comparison to 2015. In 2016, the annual fee decreased by EUR 200 to EUR 1,400, which is still lower than the average income per LIR account.

The chart below shows the development of the Members Income and the average income per LIR account over time.

Members Income per Year and Average Income per LIR Account Over Time



RIPE Meeting income was lower than budgeted and 9% above 2015. The decrease versus the budget was caused by local VAT charges that were applied to RIPE Meeting fees adhering to EU and local VAT regulation. The total number of paying attendees at the two RIPE Meetings in 2016 was 812 compared to 743 in 2015. The total number of new LIRs using free tickets to attend the RIPE Meetings was 212.

Sponsorship income was 60% higher in comparison to the previous year. RIPE Atlas sponsorship increased. RIPE Meeting sponsorship revenue grew due the introduction of more expensive sponsorship packages designed to aid the recovery of high location costs for RIPE 72 in Denmark.

Sponsorship Income (in kEUR)

	2016	2015
RIPE Atlas Probes	160	95
ENOG Meetings	45	38
RIPE Meetings	186	122
SEE Meetings	5	13
Miscellaneous	34	
Total Sponsorship Income	**430**	**268**

In 2016, Other Income was 57 kEUR. This includes unidentifiable payments from debtors, exchange rate differences, sales of fixed assets, EU VAT reclaims from 2015, and the value change of the MENOG (Middle East Network Operators Group) funds that are accounted for by the RIPE NCC. In 2016, a negative result of 50 kEUR was taken due to the disposal of fixed assets following the relocation to the new office. This result was partly offset by the sale of fixed assets resulting in an income of 12 kEUR.

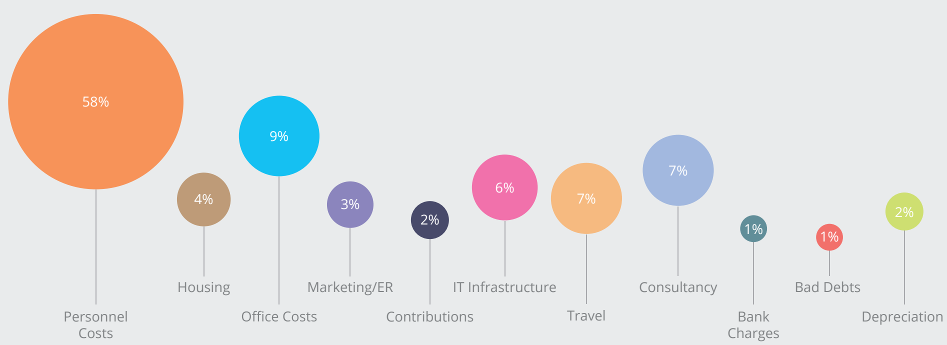
Redistribution of Member Fees

The fiscal surplus 2016 before redistribution was 3,930 kEUR, which will be returned to the members as a negative amount on the 2017 invoices. This redistribution is composed of the fiscal surplus before redistribution 2016 and the change in the margin that is maintained to guarantee that the RIPE NCC does not redistribute more than the fiscal surplus before redistribution.

Expenditures

The total expenditure in 2016 was 23,528 kEUR: 2% below budget and 7% above 2015 levels.

Distribution of Expenses (in %)



Personnel Expenses

In 2016, Personnel Expenses was 3% above budget and 6% above 2015. The number of full-time equivalents (FTEs) increased by six, from 133 to 139.

Overall, the average salary per employee remained on the same levels as 2015.

The RIPE NCC has a pension system of defined contributions with a pensionable age of 67 years, in accordance with Dutch legislation. Pension contributions increased as a result of an aging workforce and additional staff.

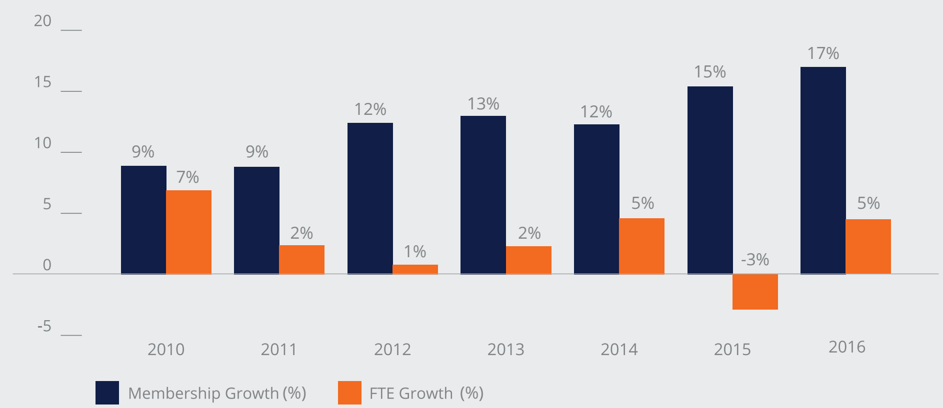
Pension Contribution and Wage Taxes (in kEUR)

	2016	2015
Pension Contribution	1,132	1,129
Employers Taxes	1,243	1,138

In 2016, Personnel expenses was the main cost item for the RIPE NCC and accounted for 58% of the total Expenses of the RIPE NCC.

The chart below shows the percentage growth of FTEs compared with the membership growth over time.

Membership Growth vs FTE Growth



The RIPE NCC Executive Board does not receive remuneration or a fixed expense reimbursement. Board members are reimbursed for travel expenses incurred while attending board meetings, RIPE Meetings, RIPE NCC Regional Meetings and other Internet coordination meetings. In 2016, these costs amounted to 166 kEUR, roughly on the same level as 2015.

Other Expenses

In 2016, housing costs were below budget but up by 19% from 2015, due to a period with rent for both the new and the former RIPE NCC office and the rent of a small workspace in Moscow to host the local External Relations staff.

The year 2016 saw a considerable increase in Office costs due to equipment rent, a 50% rise in insurance costs (new contracted risk and SOS policies) and costs related to the relocation of the RIPE NCC. Overall the costs were 24% above 2015 levels, but remained well within budget.

Marketing and External Relations costs were below budget and below the 2015 expense level by 17% and 7% respectively.

Financial contributions were made to Internet governance organisations such as ICANN, ISOC, the ITU and the IGF. For the good of the Internet, a donation of 50 kEUR was granted to the Cryptech project and a 50 kEUR contribution was made to the Internet Protocol Journal. Overall, these costs were well within budget but 29 kEUR above 2015.

IT Infrastructure costs were 7% above 2015 levels due to an increased demand in rack space at server colocations and efforts to improve the robustness of the DNS infrastructure. However, these costs remained on budget.

Travel costs increased 27% compared to budget and 22% compared to 2015. This increase was caused by a continued effort for more regional outreach in the Middle East and Eurasia regions as well as the successful implementation of member lunches, resulting in an increase in the number of trips by 147 to 638 trips up from the 491 trips budgeted.

Consultancy costs in 2016 rose considerably by 226 kEUR compared to budget and by 298 kEUR compared to 2015. This increase was due to an overall increased use of consultancy in ER, HR, IT, Legal and Communications. The RIPE NCC strives to achieve a healthy balance between in-house knowledge and external expertise.

Bank charges were below budget by 5% and by 6% compared to 2015. This was due to a change in online payment service provider that offers lower transaction fees.

As in previous years, the amount of Bad Debts continues to be extremely low: in 2016, less than 1% of the annual fees (184 kEUR) was written off as Bad Debts. This item includes an accrued amount for the outstanding invoices in 2016 at year end.

The year 2016 was marked by low depreciation costs following the change in depreciation term for all assets to five years. It reduced the depreciation costs to 65% below budget and 47% below 2015 levels. The delivery of the new office resulted in high investments in December 2016 but had no effect on the depreciation costs in 2016.

Interest income is generated by the bank deposits and government bonds held in the RIPE NCC's portfolio. The total interest income amounted to 399 kEUR. On average, the RIPE NCC achieved 1.2% return on its investments. The revaluation of government bonds was negative, mostly caused by negative exchange rate fluctuations. These factors combined caused an overall financial result of 260 kEUR. The capital gain that is attributable to the Clearing House reserve is excluded from Corporate Income tax. This amounted to 225 kEUR, while 35 kEUR will be taken into account for Corporate Income taxation.

NOTES TO THE BALANCE SHEET AS PER 31 DECEMBER 2016

Fixed Assets

Tangible Fixed Assets

Capitalised expenses for 2016 were high with the substantial investments made for the new RIPE NCC office. The total investment in 2016 amounts to 2,431 kEUR.

Due to the relocation of office, a comprehensive revision of all assets followed, which resulted in a cleanup of assets that were no longer in the RIPE NCC's use by 31 December 2016.

The financial result of this cleanup was 50 kEUR, bringing the total capital expenditure in 2016 to 2,381 kEUR. Of this amount, the majority was related to the new office. The investments for 2016 were within the budget set for 2016 but were 94% higher than the capitalised expenses in 2015.

Below is an overview of the Tangible Fixed Assets per 31 December 2016 (figures stated in kEUR).

Tangible Fixed Assets per 31 December 2016 (in kEUR)

	Hardware	Infrastructure	Office Equipment	Total
Purchased Costs	7,088	2,035	515	9,638
Depreciation	(5,267)	(2,016)	(469)	(7,752)
Book Value 31 December 2015	**1,821**	**19**	**46**	**1,886**
Additions	824	1,279	328	2,431
Disposals	(28)	(9)	(13)	(50)
Depreciation	(498)	(10)	(23)	(531)
Total Change in Net Book Value 2016	**298**	**1,260**	**292**	**1,850**
Purchase Costs	4,441	1,285	448	6,174
Accumulated Depreciation	(2,323)	(5)	(111)	(2,439)
Book Value 31 December 2016	**2,118**	**1,280**	**337**	**3,735**

Financial Fixed Assets

The RIPE NCC's investments are managed in accordance with the RIPE NCC Treasury Statute. At present, the RIPE NCC only holds deposits with a maturity of less than one year. These deposits with a short maturity are reported as Cash on Hand and are effectively at the RIPE NCC's free disposal.

By 31 December 2016, the RIPE NCC held 11 different government bonds for a value of 10,444 kEUR invested in five different currencies: EUR, CAD, AUD, USD and GBP. The expansion of the government portfolio meets the asset mix aimed for in the RIPE NCC Treasury Statute, assuring a minimal risk strategy for the RIPE NCC's reserves.

By 31 December 2016, the RIPE NCC held the following government bonds (figures stated at fair value in kEUR).

Government Bonds per 31 December 2016 (in kEUR)

	Currency	Coupon Rate	Expiration Year	Value per 31 Dec 2015	Additions	Disposals	Revaluations	Value per 31 Dec 2016
Canada	CAD	1.50%	2016	833		841	8	-
France	EUR	3.25%	2016	910		900	(10)	-
Australia	AUD	4.25%	2017	849			2	851
European Investment Bank	EUR	4.75%	2017	926			(40)	886
United Kingdom	GBP	5.00%	2018	953			(163)	790
United States	USD	3.13%	2019	939			19	958
United States II	USD	3.50%	2020	-	993		13	1,006
Finland	EUR	3.50%	2021	973			(6)	967
Austria	EUR	3.50%	2021	983			(6)	977
European Investment Bank II	EUR	2.25%	2022	997			10	1,007
The Netherlands	EUR	1.75%	2023	985			27	1,012
Canada II	CAD	2.50%	2024	-	1,000		(42)	958
Germany	EUR	1.00%	2025	983			49	1,032
				10,331	**1,993**	**1,741**	**(139)**	**10,444**

CURRENT ASSETS

Cash on Hand

Deposits included under Cash on Hand can be withdrawn on demand. All amounts in Cash on Hand are at the RIPE NCC's free disposal under the conditions set out in the Articles of Association and the Treasury Statute.

Accounts Receivable

Accounts Receivable is 687 kEUR and consists mainly of annual fee invoices outstanding at 31 December 2016 from new member applicants. Outstanding invoices from 268 new applicants amount to 822 kEUR. Outstanding invoices for 2016 fees amount to 29 kEUR. A restatement of 137 kEUR was made from Accounts Receivable to Accounts Payable for amounts prepaid by members at 31 December 2016.

Other items included in Accounts Receivable are outstanding invoices from miscellaneous debtors of 6 kEUR, related to an outstanding sponsorship invoice from the October RIPE Meeting. A Bad Debt provision is set at 1% of the Accounts Receivable for all outstanding invoices per 31 December 2016. Payments that could not be identified and attributed to any specific member were on the same levels as in 2015 and amounted to 3 kEUR at year-end 2016.

Value Added Tax (VAT)

The VAT to be received from tax declarations for 2016 amounts to 398 kEUR, which is considerably higher than the previous year. This increase of 271 kEUR compared to 2015 is caused by a large number of creditor invoices related to the delivery of the RIPE NCC office in the final month of 2016.

An amount of 23 kEUR relates to VAT to be received from the Spanish tax authorities for Spanish VAT charged at the RIPE Meeting in Madrid in October 2016.

Miscellaneous Receivables

Miscellaneous Receivables in 2016 decreased considerably by 250 kEUR compared to 2015. Miscellaneous Receivables include pre-payments and transitory items for payments-related costs for office rent, software licenses, IT service contracts, colocation lease, travel costs, pensions, health, Dubai office-related costs, public transportation cards and contributions.

The Interest Receivable by 31 December 2016 is lower than the previous year, due to lower interest rates. Fewer interest-bearing funds were held by 31 December 2016, following a reduction in the membership fee and the redistribution of the 2015 fiscal surplus. Other Receivables include credit card in transit, rent deposits and payment in transit, and remained at the same levels as 2015.

Miscellaneous Receivables (in kEUR)

	2016	2015
Prepayments	657	824
Interest Receivable	189	273
Other Receivables	160	159
Total Miscellaneous Receivables	**1,006**	**1,256**

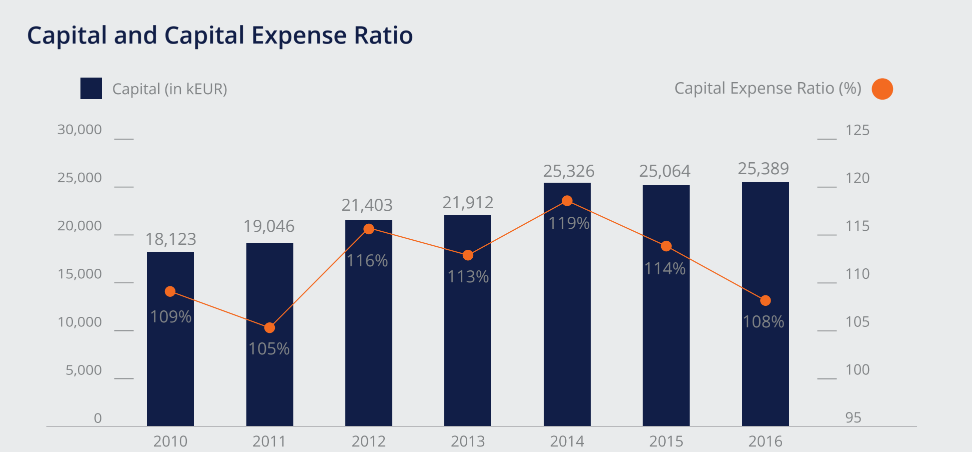
CAPITAL

Capital consists of the RIPE NCC Clearing House and the capital gain made within the year at issue. Capital increased by 325 kEUR in 2016, amounting to 25,389 kEUR.

Capital (in kEUR)

	Clearing House	Surplus/Deficit	Total
Begin Balance 1 January 2015	21,912	3,414	25,326
Addition of the Result	3,414	(3,414)	-
Result Current Year		(262)	(262)
Total Balance 31 December 2015	**25,326**	**(262)**	**25,064**
Begin Balance 1 January 2016	25,326	(262)	25,064
Addition of the Result	(262)	262	-
Result Current Year		325	325
Total Balance 31 December 2016	**25,064**	**325**	**25,389**

The continued stable level of Capital assured that the Capital Expense ratio, a key indicator used by the RIPE NCC to weigh the extent of Capital in relation to Expenses, remained above the 100% target at 108%. At this level the existing reserve safeguards the organisation's financial stability and covers the RIPE NCC's operational costs for more than one year.



CURRENT LIABILITIES

Redistribution of Member Fees

The amount allocated for redistribution in 2016 is 4,306 kEUR. This amount consists of 3,930 kEUR as well as a liability of 376 kEUR that will be returned in a future redistribution.

Redistribution (in kEUR)

	Redistribution
1 January 2015	-
Redistribution Recorded in the Statement of Income and Expenditures 2015	5,335
31 December 2015	**5,335**
Amount Allocated to Members and Invoices 2015	(4,959)
Redistribution Recorded in the Statement of Income and Expenditures 2016	3,930
31 December 2016	**4,306**

By 31 December 2016, a total of 14,889 members were eligible to receive the redistribution. The amount a standard member with one LIR and no Independent Resources will receive is EUR 279 and is calculated pro-rata based on the annual fee paid in 2016.

Creditors

The amount payable to creditors at the end of 2016 doubled in comparison to 2015, following a large amount of outstanding invoices related to the new RIPE NCC office. A restatement of 54 kEUR was made from Accounts Payable to Accounts Receivable for outstanding credit notes at 31 December 2016.

Wage Taxes and Social Securities

By year-end 2016, Wage Taxes and Social Securities showed a significant increase from 2015 due to increased salaries and an increase in staff, resulting in higher fiscal wages by year-end 2016.

Unearned Revenues

Unearned Revenues consist mainly of unpaid sign-up fees from new members that are in the application process for LIR accounts. As of 31 December 2016, Unearned Revenues includes invoices sent to members relating to member fees for 2017 for which payment was already received.

Miscellaneous Payables

Miscellaneous Payables shows a considerable increase in comparison to 2015, mainly related to investments for the new office for which invoices have not yet been received.

Miscellaneous Payables (in kEUR)

	2016	2015
Accruals	736	374
Payable Employee Expenses*	62	43
Miscellaneous Payable Wage Components	957	895
Total Miscellaneous Payables	**1,755**	**1,312**

**The figure for 2015 has been rounded up – it is reported as 42 in the Financial Report 2015*

Accruals include items relating to the new office, for which invoices have not yet been received. In addition, Accruals includes a half-year estimation of the contribution for the ICANN fiscal year 2016/2017 as well as amounts accrued for staff that are still employed but who are exempt from work because there is an agreement to end the working relationship. Miscellaneous Payable Wage Components consists of the accrued holiday allowance and the accrued vacation days for employees. The accrued vacation days amount is based on the number of outstanding vacation days at 31 December 2016, valued at the December 2016 salary level. The total value of the accrued vacation days is 542 kEUR compared to 479 kEUR at the end of 2015, which corresponds to an increase of 234 vacation days. Miscellaneous Payables include business expenses payable to employees by 31 December 2016.

ITEMS NOT SHOWN IN BALANCE SHEET

All amounts stated in this section include VAT.

The RIPE NCC moved office to Stationsplein in Amsterdam at the end of December 2016. The rental agreement of the former offices concluded on 31 December 2016.

By this date, the related bank guarantees were still held for a value of 175 kEUR. An additional bank guarantee for the value of 180k EUR was taken in 2016 for the new office. The rental agreement of the new office will expire by 30 June 2026. The rental amount due for the new office for 2017 will be 696 kEUR. The remaining total obligation for this agreement is 5,767 kEUR.

Additional lease agreements have a total obligation of 232 kEUR towards third parties for the next five years. An amount of 91 kEUR in lease payments is included in the Statement of Income and Expenditure 2016 for these additional leases. The lease agreements have different set terms, ranging from three to five years, and have fixed annual lease payments.

At 31 December 2016, the RIPE NCC had no other financial liability or obligation towards any other party that is not reflected in the Balance Sheet. There was no capital or financial interest in any other organisation that had an impact on this financial statement.

TAXES

For 2016, the RIPE NCC is subject to corporate income tax. Any surplus or deficit will therefore be submitted for taxation. The RIPE NCC has a tax ruling with the Dutch tax authorities that excludes the Clearing House reserve and any capital gains in the Clearing House reserve from corporate income taxation. The corporate income tax rates for 2016 are 20% up to 200 kEUR and 25% on the amount over 200 kEUR. The effective tax rate for 2016 was 0%.

No deferred tax asset is recognised for temporary differences between the valuation for tax and financial reporting purposes and carry-forward losses as it is not probable that future taxable profit will be available for set-off.

Corporate Income Tax Payable (in kEUR)

	2016
Corporate Income Tax Due*	0
-/- Paid on Preliminary Corporate Income Tax assessments 2016	0
Corporate Income Tax Payable	**0**

**20% up to 200 kEUR; 25% on the excess*

Events after the Balance Sheet Date

No significant events occurred after the Balance Sheet date.

NOTES TO THE CASH FLOW STATEMENT

The Operational Cash Inflow by year-end 2016 shows a visible decrease of cash following the redistribution of the 2015 surplus as well as a reduction of the annual fee from EUR 1,600 to EUR 1,400. The new LIR growth is visible on the cash inflow of 5,771 kEUR. Only two government bonds were expired in 2016 in comparison to the previous year, when four different government bonds were sold. The Other Cash Inflow is a result of sponsorships and other miscellaneous income.

The Operational Cash Outflow is marked by an increase in creditors following the investment made for the relocation of the RIPE NCC. Salaries outflow increased due to a growth of FTEs, Wage Tax and Social Securities. RIPE Meeting cash outflow remained stable. The purchase of additional government bonds is visible in the cash outflow for financial assets. The increase of cash outflow corresponding to ICANN & NRO relates to a slight increase of the NRO-related expenses.

At the end of 2016, the Cash Flow shows a decrease of 1,417 kEUR, mostly marked by the redistribution of the 2015 surplus. The total Cash at year-end was 28,302 kEUR.

INDEPENDENT AUDITOR'S REPORT

To: the members and directors of Réseaux IP Européens Network Coordination Centre

Report on the audit of the financial statements 2016 included in the financial report

Our opinion

We have audited the financial statements 2016 of Réseaux IP Européens Network Coordination Centre, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Réseaux IP Européens Network Coordination Centre as at 31 December 2016, and of its result for 2016 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- The balance sheet as at 31 December 2016
- The profit and loss account for 2016
- The cash flow statement for 2016
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Réseaux IP Européens Network Coordination Centre in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the executive board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 17 March 2017

Ernst & Young Accountants LLP

signed by B. Minks

RIPE NCC

RIPE NETWORK COORDINATION CENTRE

Financial Report 2016